

SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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COMMUNITY VISION

Three Springs becomes a Healthy and Unified Community with a bright future
HEART OF NORTH MIDLANDS

Principal place of business:
132 Railway Road
Three Springs WA 6519

Adopted by Council on 23 March 2022

**SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Three Springs for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Three Springs at 30 June 2021 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 21 day of MARCH 2022



Chief Executive Officer

Keith Woodward

Name of Chief Executive Officer



BUTLER SETTINERI (AUDIT) PTY LTD

SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	25(a)	2,156,151	2,148,202	2,148,285
Operating grants, subsidies and contributions	2(a)	1,561,210	1,707,863	1,341,202
Fees and charges	2(a)	234,165	242,375	249,240
Interest earnings	2(a)	18,568	30,600	50,007
Other revenue	2(a)	92,935	50,000	209,387
		4,063,029	4,179,040	3,998,121
Expenses				
Employee costs		(1,633,904)	(1,565,153)	(1,303,130)
Materials and contracts		(1,256,063)	(1,289,538)	(1,164,448)
Utility charges		(243,322)	(243,355)	(259,621)
Depreciation on non-current assets	11(c)	(1,851,985)	(1,671,065)	(1,739,964)
Interest expenses	2(b)	(3,562)	(6,795)	(8,487)
Insurance expenses		(186,908)	(183,795)	(187,849)
Other expenditure		(49,948)	(83,737)	(62,961)
		(5,225,692)	(5,043,438)	(4,726,460)
		(1,162,663)	(864,398)	(728,339)
Non-operating grants, subsidies and contributions	2(a)	1,336,326	568,458	1,645,901
Profit on asset disposals	11(a)	10,354	0	0
(Loss) on asset disposals	11(a)	(24,630)	(26,218)	(66,543)
Fair value adjustments to financial assets at fair value through profit or loss		2,586	0	1,153
Reversal of prior year loss on revaluation of Infrastructure - footpaths	10(a)	62,508	0	0
		1,387,144	542,240	1,580,511
Net result for the period		224,481	(322,158)	852,172
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	2,851,209	0	0
Total other comprehensive income for the period		2,851,209	0	0
Total comprehensive income for the period		3,075,690	(322,158)	852,172

This statement is to be read in conjunction with the accompanying notes.



BUTLER SETTINERI (AUDIT) PTY LTD

SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue	2(a)			
Governance		32,637	47,186	88,622
General purpose funding		3,552,167	3,621,264	3,367,726
Law, order, public safety		37,965	31,957	45,500
Health		17,490	78,573	74,497
Education and welfare		2,918	2,300	3,800
Housing		120,424	115,260	116,016
Community amenities		74,973	79,125	82,143
Recreation and culture		50,658	14,650	18,131
Transport		122,356	129,585	135,804
Economic services		8,439	6,140	6,769
Other property and services		43,002	53,000	59,113
		4,063,029	4,179,040	3,998,121
Expenses	2(b)			
Governance		(498,846)	(751,055)	(430,852)
General purpose funding		(125,730)	(136,189)	(45,354)
Law, order, public safety		(195,017)	(392,705)	(217,044)
Health		(209,206)	(253,232)	(182,365)
Education and welfare		(113,498)	(46,183)	(40,049)
Housing		(300,164)	(399,163)	(464,309)
Community amenities		(258,642)	(356,639)	(327,563)
Recreation and culture		(1,102,472)	(935,303)	(988,002)
Transport		(1,900,658)	(1,519,723)	(1,823,166)
Economic services		(213,365)	(224,826)	(184,597)
Other property and services		(304,532)	(21,625)	(14,672)
		(5,222,130)	(5,036,643)	(4,717,973)
Finance Costs	2(b)			
Governance		0	(3,500)	(3,597)
Recreation and culture		(3,562)	(3,295)	(3,527)
Transport		0	0	(1,363)
		(3,562)	(6,795)	(8,487)
		(1,162,663)	(864,398)	(728,339)
Non-operating grants, subsidies and contributions	2(a)	1,336,326	568,458	1,645,901
Profit on disposal of assets	11(a)	10,354	0	0
(Loss) on disposal of assets	11(a)	(24,630)	(26,218)	(66,543)
Fair value adjustments to financial assets at fair value through profit or loss		2,586	0	1,153
Reversal of prior year loss on revaluation of Infrastructure - footpaths	10(a)	62,508	0	0
		1,387,144	542,240	1,580,511
Net result for the period		224,481	(322,158)	852,172
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	2,851,209	0	0
Total other comprehensive income for the period		2,851,209	0	0
Total comprehensive income for the period		3,075,690	(322,158)	852,172

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF THREE SPRINGS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,836,886	2,912,470
Trade and other receivables	6	133,904	126,123
Inventories	7	2,305	4,805
Other assets	8	3,194	62,813
TOTAL CURRENT ASSETS		2,976,289	3,106,211
NON-CURRENT ASSETS			
Trade and other receivables	6	27,621	25,945
Other financial assets	5(a)	73,807	71,221
Property, plant and equipment	9	18,940,603	15,347,904
Infrastructure	10	36,432,535	36,734,824
TOTAL NON-CURRENT ASSETS		55,474,566	52,179,894
TOTAL ASSETS		58,450,855	55,286,105
CURRENT LIABILITIES			
Trade and other payables	14	307,007	350,307
Other liabilities	15	88,136	17,832
Borrowings	16(a)	21,897	21,065
Employee related provisions	17	193,701	122,394
TOTAL CURRENT LIABILITIES		610,741	511,598
NON-CURRENT LIABILITIES			
Other liabilities	15	58,500	58,500
Borrowings	16(a)	46,423	68,320
Employee related provisions	17	33,786	21,972
TOTAL NON-CURRENT LIABILITIES		138,709	148,792
TOTAL LIABILITIES		749,450	660,390
NET ASSETS		57,701,405	54,625,715
EQUITY			
Retained surplus		30,998,444	30,367,636
Reserves - cash backed	4	2,112,181	1,858,011
Revaluation surplus	13	24,590,780	22,400,068
TOTAL EQUITY		57,701,405	54,625,715

This statement is to be read in conjunction with the accompanying notes.



BUTLER SETTINERI (AUDIT) PTY LTD

SHIRE OF THREE SPRINGS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		29,397,940	1,975,535	22,400,068	53,773,543
Comprehensive income					
Net result for the period		852,172	0	0	852,172
Total comprehensive income		852,172	0	0	852,172
Transfers from reserves	4	776,000	(776,000)	0	0
Transfers to reserves	4	(658,476)	658,476	0	0
Balance as at 30 June 2020		30,367,636	1,858,011	22,400,068	54,625,715
Comprehensive income					
Net result for the period		224,481	0	0	224,481
Other comprehensive income	13	0	0	2,851,209	2,851,209
Total comprehensive income		224,481	0	2,851,209	3,075,690
Transfers to reserves	4	(254,170)	254,170	0	0
Transfers from revaluation surplus	13	660,497	0	(660,497)	0
Balance as at 30 June 2021		30,998,444	2,112,181	24,590,780	57,701,405

This statement is to be read in conjunction with the accompanying notes.



BUTLER SETTINERI (AUDIT) PTY LTD

**SHIRE OF THREE SPRINGS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,161,009	2,148,202	2,156,849
Operating grants, subsidies and contributions		1,636,332	1,707,863	1,405,971
Fees and charges		235,802	242,375	249,240
Interest received		18,568	30,600	50,007
Goods and services tax received		301,670	0	418,954
Other revenue		92,935	50,000	209,387
		4,446,316	4,179,040	4,490,408
Payments				
Employee costs		(1,513,257)	(1,565,153)	(1,345,826)
Materials and contracts		(1,279,863)	(1,289,538)	(1,551,378)
Utility charges		(243,322)	(243,355)	(259,621)
Interest expenses		(3,291)	(6,795)	(8,487)
Insurance paid		(186,908)	(183,795)	(187,849)
Goods and services tax paid		(370,754)	0	(418,954)
Other expenditure		(49,948)	(83,737)	(62,961)
		(3,647,343)	(3,372,373)	(3,835,076)
Net cash provided by (used in) operating activities	18	798,973	806,667	655,332
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(470,855)	(712,695)	(1,906,959)
Payments for construction of infrastructure	10(a)	(1,870,214)	(1,794,130)	(1,862,359)
Non-operating grants, subsidies and contributions	18	1,389,462	568,458	1,645,901
Proceeds from sale of property, plant & equipment	11(a)	98,115	143,000	98,726
Net cash provided by (used in) investment activities		(853,492)	(1,795,367)	(2,024,691)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	16(b)	(21,065)	(21,065)	(51,289)
Net cash provided by (used in) financing activities		(21,065)	(21,065)	(51,289)
Net increase (decrease) in cash held		(75,584)	(1,009,765)	(1,420,648)
Cash at beginning of year		2,912,470	2,912,744	4,333,118
Cash and cash equivalents at the end of the year	18	2,836,886	1,902,979	2,912,470

This statement is to be read in conjunction with the accompanying notes.



BUTLER SETTINERI (AUDIT) PTY LTD

**SHIRE OF THREE SPRINGS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	26 (b)	894,356	1,012,765	1,874,399
		894,356	1,012,765	1,874,399
Revenue from operating activities (excluding rates)				
Governance		32,637	47,186	88,622
General purpose funding		1,407,741	1,473,062	1,220,594
Law, order, public safety		37,965	31,957	45,500
Health		17,490	78,573	74,497
Education and welfare		2,918	2,300	3,800
Housing		120,424	115,260	116,016
Community amenities		74,973	79,125	82,143
Recreation and culture		50,658	14,650	18,131
Transport		132,710	129,585	135,804
Economic services		8,439	6,140	6,769
Other property and services		43,002	53,000	59,113
		1,928,957	2,030,838	1,850,989
Expenditure from operating activities				
Governance		(498,846)	(754,555)	(437,399)
General purpose funding		(125,730)	(136,189)	(45,354)
Law, order, public safety		(195,017)	(392,705)	(217,044)
Health		(209,206)	(253,232)	(182,365)
Education and welfare		(113,498)	(46,183)	(40,049)
Housing		(300,164)	(399,163)	(464,309)
Community amenities		(258,642)	(356,639)	(327,563)
Recreation and culture		(1,106,034)	(938,598)	(991,529)
Transport		(1,925,288)	(1,545,941)	(1,888,122)
Economic services		(213,365)	(224,826)	(184,597)
Other property and services		(242,024)	(21,625)	(14,672)
		(5,187,814)	(5,069,656)	(4,793,003)
Non-cash amounts excluded from operating activities	26(a)	1,812,093	1,697,283	1,772,142
Amount attributable to operating activities		(552,408)	(328,770)	704,527
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,336,326	568,458	1,645,901
Proceeds from disposal of assets	11(a)	98,115	143,000	98,726
Purchase of property, plant and equipment	9(a)	(470,855)	(712,695)	(1,906,959)
Purchase and construction of infrastructure	10(a)	(1,870,214)	(1,794,130)	(1,862,359)
Amount attributable to investing activities		(906,628)	(1,795,367)	(2,024,691)
FINANCING ACTIVITIES				
Repayment of borrowings	16(b)	(21,065)	(21,065)	(51,289)
Transfers to reserves (restricted assets)	4	(254,170)	(53,000)	(658,476)
Transfers from reserves (restricted assets)	4	0	50,000	776,000
Amount attributable to financing activities		(275,235)	(24,065)	66,235
Surplus/(deficit) before imposition of general rates		(1,734,271)	(2,148,202)	(1,253,929)
Total amount raised from general rates	25(a)	2,147,012	2,148,202	2,148,285
Surplus/(deficit) after imposition of general rates	26(b)	412,741	0	894,356

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF THREE SPRINGS
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FOR THE YEAR ENDED 30 JUNE 2021

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SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements.

INITIAL APPLICATION OF ACCOUNTING STANDARDS

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

These were:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Materiality*

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- Employee expenses
- Land held for resale
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Intangible assets
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

(a) Grant revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	606	31,586	0
General purpose funding	1,361,000	1,463,062	1,184,561
Law, order, public safety	31,327	30,857	44,289
Health	0	61,773	0
Education and welfare	2,000	1,000	0
Housing	0	3,000	0
Recreation and culture	41,455	3,700	909
Transport	112,911	112,885	111,443
Other property and services	11,911	0	0
	1,561,210	1,707,863	1,341,202
Non-operating grants, subsidies and contributions			
General purpose funding	350,000	0	0
Law, order, public safety	0	0	57,378
Education and welfare	0	0	739,995
Recreation and culture	420,155	0	0
Transport	566,171	568,458	848,528
	1,336,326	568,458	1,645,901
Total grants, subsidies and contributions	2,897,536	2,276,321	2,987,103
Fees and charges			
Governance	0	4,600	2,064
General purpose funding	5,366	0	6,503
Law, order, public safety	2,120	1,100	1,211
Health	17,297	16,800	12,724
Education and welfare	918	800	591
Housing	113,531	101,760	104,717
Community amenities	72,689	77,475	79,826
Recreation and culture	9,217	9,700	9,794
Economic services	8,155	5,140	5,557
Other property and services	4,872	25,000	26,253
	234,165	242,375	249,240

There were no changes to the amounts of fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Contracts with customers and transfers for recognisable non-financial assets			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Operating grants, subsidies and contributions	87,774	32,857	45,198
Fees and charges	227,598	238,475	244,586
Other revenue	66,692	0	135,041
Non-operating grants, subsidies and contributions	1,336,326	568,458	1,645,901
	<u>1,718,390</u>	<u>839,790</u>	<u>2,070,726</u>
 Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Revenue from contracts with customers included as a contract liability at the start of the period	17,832	0	0
Revenue from contracts with customers recognised during the year	364,232	271,332	424,825
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	58,500	0	58,500
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	1,277,826	568,458	1,587,401
	<u>1,718,390</u>	<u>839,790</u>	<u>2,070,726</u>
 Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	17,525		75,479
Contract liabilities from contracts with customers	(35,000)		(17,832)
Financial assets held from transfers for recognisable financial assets	111,636		58,500
Grant liabilities from transfers for recognisable non financial assets	(111,636)		(58,500)

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'. Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less. Consideration from contracts with customers is included in the transaction price. Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates

Statutory permits and licences

Fines

Other revenue

Reimbursements and recoveries

Other

Interest earnings

Interest on reserve funds

Rates instalment and penalty interest (refer Note 25(b))

Other interest earnings

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
General rates	2,147,012	2,148,202	2,148,285
Statutory permits and licences	6,367	3,900	4,554
Fines	200	0	100
	2,153,579	2,152,102	2,152,939
Other revenue			
Reimbursements and recoveries	26,243	50,000	74,346
Other	66,692	0	135,041
	92,935	50,000	209,387
Interest earnings			
Interest on reserve funds	9,723	20,600	26,674
Rates instalment and penalty interest (refer Note 25(b))	275	0	11,419
Other interest earnings	8,570	10,000	11,914
	18,568	30,600	50,007

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
Auditors remuneration				
Office of the Auditor General				
- Audit of the Annual Financial Report		39,800	41,000	39,000
- Other services		800	0	800
		40,600	0	39,800
Interest expenses (finance costs)				
Borrowings	16(b)	3,562	3,295	4,890
Interest expense		0	3,500	3,597
		3,562	6,795	8,487
Other expenditure				
Impairment loss on trade and other receivables from contracts with customers		1,716	0	0
Sundry expenses		48,232	83,737	62,961
		49,948	83,737	62,961

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

NOTE	2021	2020
	\$	\$
Cash at bank and on hand	2,836,886	1,054,459
Term deposits	0	1,858,011
Total cash and cash equivalents	2,836,886	2,912,470
Restrictions		
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	2,359,674	2,035,788
	2,359,674	2,035,788

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash backed	4	2,112,181	1,858,011
Contract liabilities from contracts with customers	15	35,000	17,832
Grants for transfers for recognisable non financial assets	15	111,636	58,500
Bonds and deposits held	14	100,857	101,445
Total restricted assets		2,359,674	2,035,788

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. RESERVES - CASH BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
(a) Reserves cash backed - Leave Resen	\$ 136,689	\$ 788	\$ 0	\$ 137,477	\$ 136,689	\$ 1,500	\$ 0	\$ 138,189	\$ 134,449	\$ 2,240	\$ 0	\$ 136,689
(b) Plant reserve	369,793	45,623	0	415,416	369,793	36,400	0	406,193	302,724	117,069	(50,000)	369,793
(c) Housing and development reserve	543,104	3,118	0	546,222	543,103	6,000	0	549,103	146,418	396,686	0	543,104
(d) Joint venture housing reserve	168,382	967	0	169,349	168,383	2,000	0	170,383	165,622	2,760	0	168,382
(e) Gravel pit reserve	49,721	285	0	50,006	49,720	500	0	50,220	48,906	815	0	49,721
(f) Swimming pool equipment reserve	126,682	727	0	127,409	126,682	1,250	(50,000)	77,932	140,344	2,338	(16,000)	126,682
(g) Day care centre reserve	37,216	214	0	37,430	37,216	500	0	37,716	534,031	3,185	(500,000)	37,216
(h) Lovelock sock reserve	103,193	593	0	103,786	103,194	1,000	0	104,194	76,911	26,282	0	103,193
(i) Road reserve	101,474	583	0	102,057	101,475	1,200	0	102,675	50,631	50,843	0	101,474
(j) Drainage reserve	163,807	200,940	0	364,747	163,806	2,000	0	165,806	318,499	55,308	(210,000)	163,807
(k) Refuse reserve	57,950	332	0	58,282	57,950	650	0	58,600	57,000	950	0	57,950
	1,858,011	254,170	0	2,112,181	1,858,011	53,000	(50,000)	1,861,011	1,975,535	658,476	(776,000)	1,858,011

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Leave Resen	Ongoing	To be used to fund annual and long service leave requirements.
(b) Plant reserve	Ongoing	To be used for the purchase of major plant.
(c) Housing and development reserve	Ongoing	To be used to fund housing/accommodation projects.
(d) Joint venture housing reserve	Ongoing	To be used to maintain the joint Ministry of Housing/Local Government properties.
(e) Gravel pit reserve	Ongoing	To be used for the rehabilitation of disused gravel pits.
(f) Swimming pool equipment reserve	Ongoing	To be used to purchase recreational equipment for the swimming pool.
(g) Day care centre reserve	June 2022	To be used to upgrade Child Care Building and equipment.
(h) Lovelock sock reserve	Ongoing	To be used to upgrade potable water infrastructure.
(i) Road reserve	Ongoing	To be used for future capital road works.
(j) Drainage reserve	Ongoing	To be used for construction of proper town drainage system.
(k) Refuse reserve	Ongoing	To be used for the future development and maintenance of the refuse site.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

5. OTHER FINANCIAL ASSETS

(a) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

2021	2020
\$	\$
73,807	71,221
73,807	71,221
73,807	71,221
73,807	71,221

SIGNIFICANT ACCOUNTING POLICIES

Financial assets at fair value through profit and loss

The Shire classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 27.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Allowance for impairment of receivables	

Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of the year	
Expected credit losses expense	
Amount written off during the period	
Balance at end of the year	

2021	2020
\$	\$
49,011	50,723
17,525	75,479
69,084	0
(1,716)	(79)
133,904	126,123
27,621	25,945
27,621	25,945
(79)	(79)
(1,637)	0
0	0
(1,716)	(79)

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 27.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

7. INVENTORIES

Current

Fuel and materials

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year

Additions to inventory

Balance at end of year

2021	2020
\$	\$
2,305	4,805
2,305	4,805
4,805	3,125
(87,317)	0
84,817	1,680
2,305	4,805

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

8. OTHER ASSETS

Other assets - current

Prepayments

Accrued income

2021	2020
\$	\$
741	0
2,453	62,813
3,194	62,813

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land \$	Buildings - non- specialised \$	Buildings - specialised \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Work in progress \$	Total property, plant and equipment \$
Balance at 1 July 2019	850,132	2,329,265	8,542,687	11,722,084	148,500	2,559,663	0	14,430,247
Additions	0	53,972	1,270,849	1,324,821	80,228	474,969	26,941	1,906,959
(Disposals)	0	0	0	0	0	(165,269)	0	(165,269)
Depreciation (expense)	0	(109,213)	(417,000)	(526,213)	(31,445)	(266,375)	0	(824,033)
Balance at 30 June 2020	850,132	2,274,024	9,396,536	12,520,692	197,283	2,602,988	26,941	15,347,904
Comprises:								
Gross balance amount at 30 June 2020	850,132	2,704,501	10,975,669	14,530,302	234,654	2,855,787	26,941	17,647,684
Accumulated depreciation at 30 June 2020	0	(430,477)	(1,579,133)	(2,009,610)	(37,371)	(252,799)	0	(2,299,780)
Balance at 30 June 2020	850,132	2,274,024	9,396,536	12,520,692	197,283	2,602,988	26,941	15,347,904
Additions	0	21,014	254,777	275,791	0	195,064	0	470,855
(Disposals)	0	0	0	0	0	(112,391)	0	(112,391)
Revaluation increments / (decrements) transferred to revaluation surplus	(166,132)	317,026	4,031,330	4,182,224	0	0	0	4,182,224
Depreciation (expense)	0	(118,696)	(457,397)	(576,093)	(38,196)	(288,123)	0	(902,412)
Transfers	0	0	(105,320)	(105,320)	52,536	0	7,207	(45,577)
Balance at 30 June 2021	684,000	2,493,368	13,119,926	16,297,294	211,623	2,397,538	34,148	18,940,603
Comprises:								
Gross balance amount at 30 June 2021	684,000	2,493,368	13,119,926	16,297,294	308,545	2,922,458	34,148	19,562,445
Accumulated depreciation at 30 June 2021	0	0	0	0	(96,922)	(524,920)	0	(621,842)
Balance at 30 June 2021	684,000	2,493,368	13,119,926	16,297,294	211,623	2,397,538	34,148	18,940,603

NB: Management have reclassified some building assets from specialised to non-specialised in the financial report.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2021	Price per square metre
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2021	Price per square metre
Buildings - specialised	3	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2021	Improvements to buildings using construction costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

(ii) Cost

Furniture and equipment	3	Cost	Cost	Purchase cost
Plant and equipment	3	Cost	Cost	Purchase cost

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - parks and ovals	Infrastructure - airfields	Work in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	34,587,549	311,196	628,586	261,065	0	35,788,396
Additions	1,776,393	61,792	24,174	0	0	1,862,359
Depreciation (expense)	(736,729)	(8,204)	(99,763)	(71,235)		(915,931)
Balance at 30 June 2020	35,627,213	364,784	552,997	189,830	0	36,734,824
Comprises:						
Gross balance at 30 June 2020	38,618,525	389,951	1,203,193	791,500	0	41,003,169
Accumulated depreciation at 30 June 2020	(2,991,312)	(25,167)	(650,196)	(601,670)	0	(4,268,345)
Balance at 30 June 2020	35,627,213	364,784	552,997	189,830	0	36,734,824
Additions	1,003,465	64,992	0	0	801,757	1,870,214
Revaluation increments / (decrements) transferred to revaluation surplus	(2,375,920)	102,358	757,742	184,805	0	(1,331,015)
Revaluation (loss) / reversals transferred to profit or loss	0	62,508	0	0	0	62,508
Depreciation (expense)	(766,336)	(9,486)	(102,516)	(71,235)		(949,573)
Transfers	0	0	45,577	0	0	45,577
Balance at 30 June 2021	33,488,422	585,156	1,253,800	303,400	801,757	36,432,535
Comprises:						
Gross balance at 30 June 2021	55,193,104	886,594	2,609,200	920,500	801,757	60,411,155
Accumulated depreciation at 30 June 2021	(21,704,682)	(301,438)	(1,355,400)	(617,100)	0	(23,978,620)
Balance at 30 June 2021	33,488,422	585,156	1,253,800	303,400	801,757	36,432,535

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - airfields	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY
Revaluation (Continued)

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 11 that details the significant accounting policies applying to leases (including right-of-use assets).

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

11. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and equipment	\$ 112,391	\$ 98,115	\$ 10,354	\$ (24,630)	\$ 169,218	\$ 143,000	\$ 0	\$ (26,218)	\$ 165,269	\$ 98,726	\$ 0	\$ (66,543)
	112,391	98,115	10,354	(24,630)	169,218	143,000	0	(26,218)	165,269	98,726	0	(66,543)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Plant and Equipment	\$	\$	\$	\$
Transport				
Volkswagen Amarok Dual/Cab	30,830	25,142	0	(5,688)
Holden Calais	27,575	24,318	0	(3,257)
Caterpillar Highway Tip Truck	27,493	11,808	0	(15,685)
Ford Escape	19,714	22,045	2,331	0
Mitsubishi Canter	6,779	14,802	8,023	0
	112,391	98,115	10,354	(24,630)

(b) Fully Depreciated Assets in Use

The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.

	2021	2020
	\$	\$
Buildings - non-specialised	0	44,000
Furniture and equipment	10,425	5,925
Plant and equipment	10,370	10,370
	20,795	60,295

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

11. FIXED ASSETS

(c) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	118,696	0	109,213
Buildings - specialised	457,397	505,376	417,000
Furniture and equipment	38,196	30,200	31,445
Plant and equipment	288,123	255,827	266,375
Infrastructure - roads	766,336	707,556	736,729
Infrastructure - footpaths	9,486	7,879	8,204
Infrastructure - parks and ovals	102,516	95,813	99,763
Infrastructure - airfields	71,235	68,414	71,235
	1,851,985	1,671,065	1,739,964

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings - non specialised	20 to 80 years
Buildings - specialised	20 to 80 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
Formation	not depreciated
Pavement	60 to 100 years
Seal	
- Bituminous seals	15 to 40 years
- Asphalt surfaces	15 to 40 years
- Concrete	60 years
Gravel roads	
Formation	not depreciated
Pavement	60 to 100 years
Gravel sheet	15 to 60 years
Footpaths - slab	10 to 40 years
Sewerage piping	30 to 80 years
Water supply piping and drainage systems	10 to 80 years
Infrastructure - parks and ovals	15 to 40 years
Infrastructure - airfield	15 to 80 years

Depreciation on revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

12. LEASES

(a) Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Less than 1 year	16,872	0	16,872
1 to 2 years	16,872	0	16,872
2 to 3 years	16,872	0	16,872
3 to 4 years	12,666	0	16,872
4 to 5 years	0	0	12,666
	63,282	0	80,154

The Shire leases buildings to external parties with rentals payable on a fortnightly basis. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

SIGNIFICANT ACCOUNTING POLICIES

The Shire as Lessor

Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Entity applies AASB 15 to allocate the consideration under the contract to each component.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

13. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation (Decrement) #	2021 Revaluation Increment	2021 Revaluation (Decrement)	2021 Closing Balance	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Closing Balance	Total Movement on Revaluation
Revaluation surplus - Land and buildings	\$ 7,993,685		\$ 4,348,356	\$ (166,132)	\$ 12,175,909	\$ 7,993,685		\$ 0	\$ 7,993,685	\$ 0
Revaluation surplus - Plant and equipment # 1	660,497	(660,497)	0	0	0	660,497		0	660,497	0
Revaluation surplus - Infrastructure - roads	13,134,301	0	0	(2,375,920)	10,758,381	13,134,301		0	13,134,301	0
Revaluation surplus - Infrastructure - footpaths # 2	0	0	102,358	0	102,358	0		0	0	0
Revaluation surplus - Infrastructure - parks and ovals	298,269	0	757,742	0	1,056,011	298,269		0	298,269	0
Revaluation surplus - Infrastructure - airfields	313,316	0	184,805	0	498,121	313,316		0	313,316	0
	22,400,068	(660,497)	5,393,261	(2,542,052)	24,590,780	22,400,068		0	22,400,068	0

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

1 - The reduction in the revaluation surplus for plant and equipment reflects the fact that plant and equipment is now valued at cost. The movement was adjusted against accumulated surplus.

2 - The increase in the revaluation for footpaths was \$164,866 with \$102,358 being recognised in Revaluation Surplus and \$62,508 being applied to the reversal of prior year losses recognised through profit and loss.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

14. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
ATO liabilities
Bonds and deposits held
Accrued interest
Accrued expenditure

2021	2020
\$	\$
128,208	109,033
10,933	6,111
34,627	24,872
27,771	0
100,857	101,445
347	76
4,264	108,770
307,007	350,307

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. OTHER LIABILITIES

Current

Contract liabilities
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Non-current

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

2021	2020
\$	\$
35,000	17,832
53,136	0
88,136	17,832
58,500	58,500
58,500	58,500
146,636	76,332

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year
> 5 years

	Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity
Contract liabilities	
\$	\$
35,000	53,136
0	58,500
35,000	111,636

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Grant liabilities represent the the Shire's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

Grant liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

16. INFORMATION ON BORROWINGS

	2021		2020	
	\$		\$	
(a) Borrowings				
Current	21,897		21,065	
Non-current	46,423		68,320	
	<u>68,320</u>		<u>89,385</u>	

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2021				30 June 2021				30 June 2021				30 June 2021				30 June 2020				30 June 2020			
				Actual Principal 1 July 2020	Actual New Loans	Actual repayments	Actual Interest	Budget Principal 1 July 2020	Budget New Loans	Budget repayments	Budget Interest	Budget Principal 1 July 2020	Budget New Loans	Budget repayments	Budget Interest	Actual Principal 1 July 2019	Actual New Loans	Actual repayments	Actual Interest	Actual Principal 1 July 2019	Actual New Loans	Actual repayments	Actual Interest	Actual Principal 1 July 2019	Actual New Loans	Actual repayments	Actual Interest
Recreation and culture	160	WATC*	3.91%	89,385	0	(21,065)	(3,562)	89,384	0	(21,065)	(3,295)	89,384	0	(21,065)	(3,295)	109,650	0	(20,265)	(3,527)	109,650	0	(20,265)	(3,527)	109,650	0	(20,265)	(3,527)
Swimming Pool																											
Transport	157	WATC*	6.13%	0	0	0	0	0	0	0	0	0	0	0	0	31,024	0	(31,024)	(1,363)	31,024	0	(31,024)	(1,363)	31,024	0	(31,024)	(1,363)
Grader																140,674	0	(51,289)	(4,890)	140,674	0	(51,289)	(4,890)	140,674	0	(51,289)	(4,890)
				<u>89,385</u>	<u>0</u>	<u>(21,065)</u>	<u>(3,562)</u>	<u>89,384</u>	<u>0</u>	<u>(21,065)</u>	<u>(3,295)</u>	<u>89,384</u>	<u>0</u>	<u>(21,065)</u>	<u>(3,295)</u>	<u>140,674</u>	<u>0</u>	<u>(51,289)</u>	<u>(4,890)</u>	<u>140,674</u>	<u>0</u>	<u>(51,289)</u>	<u>(4,890)</u>	<u>140,674</u>	<u>0</u>	<u>(51,289)</u>	<u>(4,890)</u>

* WA Treasury Corporation

All other loan repayments were financed by general purpose revenue.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

16. INFORMATION ON BORROWINGS (Continued)

	2021	2020
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	11,000	11,000
Credit card balance at balance date	0	(249)
Total amount of credit unused	11,000	10,751
Loan facilities		
Loan facilities - current	21,897	21,065
Loan facilities - non-current	46,423	68,320
Total facilities in use at balance date	68,320	89,385
Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 27.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

17. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2020

Current provisions

Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2021

Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	92,050	30,344	122,394
Non-current provisions	0	21,972	21,972
	92,050	52,316	144,366
Additional provision	124,593	32,283	156,876
Amounts used	(73,755)	0	(73,755)
Balance at 30 June 2021	142,888	84,599	227,487
Comprises			
Current	142,888	50,813	193,701
Non-current	0	33,786	33,786
	142,888	84,599	227,487

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

	2021	2020
	\$	\$
Less than 12 months after the reporting date	113,301	70,829
More than 12 months from reporting date	92,936	73,537
Expected reimbursements from other WA local governments	21,250	0
	227,487	144,366

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Short-term employee benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

18. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cash and cash equivalents	2,836,886	1,902,979	2,912,470
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	224,481	(322,158)	852,172
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(2,586)	0	(1,153)
Depreciation on non-current assets	1,851,985	1,671,065	1,739,964
(Profit)/loss on sale of asset	14,276	26,218	66,543
Reversal of loss on revaluation of fixed assets	(62,508)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(9,457)	0	52,456
(Increase)/decrease in other assets	59,619	0	(34,748)
(Increase)/decrease in inventories	2,500	0	(1,680)
Increase/(decrease) in payables	(43,300)	0	(336,943)
Increase/(decrease) in employee provisions	83,121	0	(53,210)
Increase/(decrease) in other liabilities	70,304	0	17,832
Non-operating grants, subsidies and contributions	(1,389,462)	(568,458)	(1,645,901)
Net cash from operating activities	798,973	806,667	655,332

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	1,026,382	2,314,741
General purpose funding	76,632	76,668
Law, order, public safety	957,488	471,209
Health	2,067,925	1,678,741
Education and welfare	1,478,430	1,596,463
Housing	3,661,865	3,222,126
Community amenities	500,882	436,053
Recreation and culture	8,091,945	4,777,900
Transport	37,307,837	38,061,577
Economic services	340,281	109,790
Other property and services	2,941,188	2,540,837
	58,450,855	55,286,105

20. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Shire of Three Springs has identified the following sites to be possible sources of contamination:

Memorial N580405 ML, LOT 101 ON DIAGRAM 99584 as shown on certificate of title 2192/797 in Three Springs WA 6519

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environment Regulation on the need and criteria for remediation of a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environment Regulation Guidelines.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

21. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

99,938 0

99,938 0

Payable:

- not later than one year

99,938 0

The capital expenditure project outstanding at the end of the reporting period represents construction works at Dominican Park.

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FOR THE YEAR ENDED 30 JUNE 2021

22. ELECTED MEMBERS REMUNERATION

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Elected member - Chris Lane			
President's annual allowance	7,500	7,500	10,000
Meeting attendance fees	2,300	3,500	6,500
Annual allowance for ICT expenses	2,000	2,000	2,000
Travel and accommodation expenses	0	425	0
	11,800	13,425	18,500
Elected member - Chris Connaughton			
Deputy President's annual allowance	1,875	1,875	2,500
Meeting attendance fees	1,300	2,300	3,200
Annual allowance for ICT expenses	2,000	2,000	2,000
	5,175	6,175	7,700
Elected member - Jim Heal			
Meeting attendance fees	1,000	2,300	2,500
Annual allowance for ICT expenses	2,000	2,000	2,000
	3,000	4,300	4,500
Elected member - Jenny Mutter			
Meeting attendance fees	1,200	2,300	3,700
Annual allowance for ICT expenses	2,000	2,000	2,000
	3,200	4,300	5,700
Elected member - Nadine Eva			
Meeting attendance fees	1,400	2,300	1,800
Annual allowance for ICT expenses	2,000	2,000	1,500
Travel and accommodation expenses	392	450	0
	3,792	4,750	3,300
Elected member - Julia Ennor			
Meeting attendance fees	1,500	2,300	1,700
Annual allowance for ICT expenses	2,000	2,000	1,500
Travel and accommodation expenses	304	450	0
	3,804	4,750	3,200
Elected member - Zac Mills			
Meeting attendance fees	1,000	2,300	1,800
Annual allowance for ICT expenses	2,000	2,000	1,500
	3,000	4,300	3,300
Elected member - Richard Thorpe			
Meeting attendance fees	0	0	400
Annual allowance for ICT expenses	0	0	500
	0	0	900
Elected member - Anthony Thomas			
Meeting attendance fees	0	0	800
Annual allowance for ICT expenses	0	0	500
	0	0	1,300
	33,771	42,000	48,400
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	7,500	7,500	10,000
Deputy President's allowance	1,875	1,875	2,500
Meeting attendance fees	9,700	17,300	22,400
Annual allowance for ICT expenses	14,000	14,000	13,500
Travel and accommodation expenses	696	1,325	0
	33,771	42,000	48,400

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	484,967	498,571
Post-employment benefits	50,840	50,930
Other long-term benefits	12,081	32,062
	547,888	581,563

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

	2021 Actual	2020 Actual
The following transactions occurred with related parties:	\$	\$
Purchase of goods and services	88,778	73,712

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

An associate person of KMP was employed by the Shire under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

iii. Entities subject to significant influence by the Shire

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

24. JOINT ARRANGEMENTS

(a) Joint operation - Aged residents housing

The Shire together with the Housing Authority constructed four units for aged residents in 2002/03 and a further two units in 2008/09, known as Kadathinni Units, Carter Street, Three Springs. This joint arrangement constitutes a joint operation and Council has a 22.34% equity in the first 4 units (units 1,2,3 and 4) and a 15.35% in the last two units (units 5 and 6) in this development and is included in Land and Buildings as follows:

Non current assets

Land and buildings	180,926	142,674
Less: accumulated depreciation	0	(17,120)
Total assets	180,926	125,554

Statement of Comprehensive income

Fees and charges - housing revenue	35,719	30,250
Materials and contracts - housing expenditure	(28,974)	(33,367)
Net result for the period	6,745	(3,117)

Total comprehensive income for the period

6,745 (3,117)

(b) Joint operation - Community housing

The Shire together with the Housing Authority constructed two houses for community housing purposes in 1985/86 in Glyde Street, Three Springs. This joint arrangement constitutes a joint operation and Council has a 10.78% equity in 54 Glyde Street and 11.14% equity in 60 Glyde Street and is included in Land and Buildings as follows:

Non current assets

Land and buildings	48,368	112,568
Less: accumulated depreciation	0	(21,544)
Total assets	48,368	91,024

Statement of Comprehensive income

Fees and charges - housing revenue	9,201	9,027
Materials and contracts - housing expenditure	(16,151)	(28,149)
Net result for the period	(6,950)	(19,122)

Total comprehensive income for the period

(6,950) (19,122)

The Housing Authority does not participate in any share of profit or loss, is not responsible for operating costs or revenue from the properties.

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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25. RATING INFORMATION

(a) Rates

[illegible]

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

25. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	14/09/2020			0.00%
Option Two				
First instalment	14/09/2020			0.00%
Second instalment	16/11/2020	0.00	0.00%	0.00%
Third instalment	18/01/2021	0.00	0.00%	0.00%
Fourth instalment	22/03/2021	0.00	0.00%	0.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	0	0	6,140
Interest on instalment plan	0	0	5,279
Charges on instalment plan	0	0	2,064
Interest on deferred pensioners	275	0	0
	275	0	13,483

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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26. RATE SETTING STATEMENT INFORMATION

Note	2020/21 (30 June 2021 Carried Forward)	2020/21 Budget (30 June 2021 Carried Forward)	2019/20 (30 June 2020 Carried Forward)
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a) (10,354)	0	0
Less: Reversal of prior year loss on revaluation of fixed assets	(62,508)	0	0
Less: Fair value adjustments to financial assets at fair value through profit and loss	(2,586)	0	(1,153)
Movement in pensioner deferred rates (non-current)	(1,676)	0	(2,187)
Movement in employee benefit provisions (non-current)	11,814	0	(33,265)
Add: Loss on disposal of assets	11(a) 24,630	26,218	66,543
Add: Movement in leave reserve	788	0	2,240
Add: Depreciation on non-current assets	11(c) 1,851,985	1,671,065	1,739,964
Non cash amounts excluded from operating activities	1,812,093	1,697,283	1,772,142
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - cash backed	4 (2,112,181)	(1,861,011)	(1,858,011)
Less: Current assets not expected to be received at end of year			
- Component of leave liability not required to be funded	137,477	0	136,689
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	16(a) 21,897	(21,065)	21,065
- Employee benefit provisions	0	92,289	0
Total adjustments to net current assets	(1,952,807)	(1,789,787)	(1,700,257)
Net current assets used in the Rate Setting Statement			
Total current assets	2,976,289	2,112,484	3,106,211
Less: Total current liabilities	(610,741)	(322,697)	(511,598)
Less: Total adjustments to net current assets	(1,952,807)	(1,789,787)	(1,700,257)
Net current assets used in the Rate Setting Statement	412,741	0	894,356

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27. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2021					
Cash and cash equivalents	0.31%	2,836,886	0	2,836,179	707
2020					
Cash and cash equivalents	0.84%	2,912,470	1,858,011	1,054,432	27

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	28,362	10,544

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 16(b).

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. Whilst the Shire was historically able to charge interest on overdue rates and annual charges at higher than market rates, which further encourage payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2021 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	10,933	15,068	13,889	36,742	76,632
Loss allowance	0	0	0	0	0
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	6,153	24,758	14,817	30,940	76,668
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	61.48%	
Gross carrying amount	13,456	660	617	2,792	17,525
Loss allowance	0	0	0	1,716	1,716
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	3.03%	
Gross carrying amount	71,019	20	1,830	2,610	75,479
Loss allowance	0	0	0	79	79

27. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 16(c).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2021					
Payables	307,007	0	0	307,007	307,007
Borrowings	24,357	48,713	0	73,070	68,320
Contract liabilities	35,000	0	0	35,000	35,000
Other liabilities	111,636	0	0	111,636	111,636
	478,000	48,713	0	526,713	521,963
2020					
Payables	350,307	0	0	350,307	350,307
Borrowings	24,357	73,070	0	97,427	89,385
Contract liabilities	17,832	0	0	17,832	17,832
Other liabilities	58,500	0	0	58,500	58,500
	450,996	73,070	0	524,066	516,024

28. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire does not have any subsequent events after balance sheet date.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

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30. ACTIVITIES/PROGRAMS

Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities to members of council: Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING To collect revenue to fund provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To ensure a safer community in which to live.	Supervision of various local laws, fire prevention, emergency services and animal control.
HEALTH To provide an operational framework for good community health.	Food quality and pest control, maintenance of child health centre, medical centre, dental clinic and administration of group health scheme.
EDUCATION AND WELFARE To support the needs of the community in education and welfare.	Assistance to Day Care Centre, Playgroup, Youth activities and other voluntary services.
HOUSING Provide adequate housing to attract and retain staff and non-staff.	Maintenance of council owned staff and non-staff housing.
COMMUNITY AMENITIES Provide services as required by the community.	Rubbish collection services, tip operation, noise control, town planning administration, cemetery maintenance, rest centres, storm water drainage and FM radio retransmitter.
RECREATION AND CULTURE To establish and efficiently manage infrastructure and resources that help the social wellbeing of the community.	Maintenance of the swimming pool, recreation centre, library, parks, gardens and reserves.
TRANSPORT To provide effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, traffic lights, cycleways, depot maintenance and airstrip maintenance.
ECONOMIC SERVICES To help promote the shire and improve its economic wellbeing.	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control, plant nursery and standpipes.
OTHER PROPERTY AND SERVICES To monitor and control overheads and operating accounts.	Private works operations, plant repairs and operations and engineering costs.

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31. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	2.73	5.06	3.71
Asset consumption ratio	0.63	0.85	0.90
Asset renewal funding ratio	1.67	1.66	1.75
Asset sustainability ratio	1.07	1.07	0.88
Debt service cover ratio	30.20	16.99	24.76
Operating surplus ratio	(0.44)	(0.30)	0.02
Own source revenue coverage ratio	0.48	0.55	0.64

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$